

# An Evaluation Factors of Customer Satisfaction in Telecommunication Sector of Pakistan

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## Abstract

The aim of this paper is to analyze the impact of customer satisfaction in the telecommunication sector. For this purpose previous research literature were critically reviewed and data were collected through questionnaire survey. 180 questionnaires were distributed among the customers of telecommunication service providers in Pakistan. 150 complete questionnaires were received at a response rate of 83.33%. Non- probability sampling techniques was used for the selection of sample. To study the impact of customer satisfaction in telecommunication sector Pearson product moment correlation and regression analysis was used. Findings indicated that perceived expectation, quality, customer retention, price tolerance have positive whereas customer complaint has significant and negative effect on customer satisfaction. This study helps the managers that how they can develop the competitive edge by enhancing their customer satisfaction level in the telecommunication sector. Future guidelines and limitations are also discussed.

**Keywords:** Customer loyalty, Customer Retention, Customer Satisfaction, Perceived Quality, Price Tolerance,

## Introduction

Customer satisfaction plays a vital role in the telecommunication sector of all the countries and its significance cannot be deny by any country. Customer satisfaction enhancement is one of the primary goals of the telecommunication companies in order to enhance their performance level and for their distinctive growth in the market. With the evolution of new modern era in the telecommunications where technologies are changing day by day the companies become more cognizant about their products in order to fulfill the satisfaction level of their customers (Gonzalez et al., 2007). They try to make new innovations and make new strategic planning in order to retain their existing customers and capture the new market shares (Fornell & Wernerfelt, 1987). Newman and Werbe, (1997) found that customer satisfaction is unable to explain variation in customer retention because there is weak relationship exist between. There may be several other factors which play a mediating role in the relationship such as quality when it increases it brings the favorable (Hennig & Klee, 1997) outcomes in the form of increase customer satisfaction and retention level.

According to Homburg et al., (2005) customer satisfaction is compact evaluation tool which reflects the firm's actual performance which contains all the performance objectives quality, speed and flexibility. In this modern era all firms make different strategic and tactical goals in order to retain their existing customers and attract the new customers. It is also found that customer satisfaction is positively associated with the customer loyalty (Mittal et al., 1998) it helps in sustaining the long term relationship with the customers.

Customer satisfaction is basically defined in two perspective whether it may be transacted perspective or cumulative perspective (Boulding et al., 1993). According to transacted perspective the customer satisfaction level totally depend upon the specific purchase experience which determine the overall perception of the products and services and in the cumulative perspective the satisfaction level of customer is based on the overall performance of firm with the continuous purchase experience (Johnson & Fornell, 1991). Most of the researches agreed with the cumulative perspective approach because it the best method of evaluation and it is true indicator of customer satisfaction level. Customer satisfaction is based on the emotions and expectations of the customer regarding the usage of product and services (Churchill & Surprenant, 1982) define that customer satisfaction level is achieved when the products have all the desired features of ideal standard product. The firms can get the competitive advantage if they responses according to the desired needs and preferences of the customers which help them to increase their customers and increases profitability in a prosperous manner (Chien et al., 2003). This paper uses the survey data to identify the impact of customer satisfaction determinants on the overall performance of the firms. Different cross sectional studies in the past were conducted to derive that customer satisfaction determinant but there are some additional variables that have not been considered. This study contributes to the literature by studying these variables which includes perceived expectation, perceived quality, perceived value, customer retention, price tolerance, customer complaint, behavioral and attitudinal loyalty with the customer satisfaction in the telecommunication sector.

### **Literature Review**

Different researches were conducted in the past to understand the relationship of customer satisfaction with several other factors and previous researches confirmed that customer retention is always more important than making new customer that's why firm making new policies and decision takings in order to retain their customer which ultimately increases the profitability of the firms five times as compared to the current profitability (Chiu & Chang, 2012). For the retention of customers it is very important to develop trust among the customers by providing quality products and services which creates brand loyalty for the firm (Han, 2013) and increases their confidence over the products and services and it also create the competitive environment for the firm to sustain their performance level which is expected by their customers.

Price is one of the important components in product evaluation process. According to (Monroe, 1973) price sensitivity is the response by the customers when the price is fluctuating in the market and the response is varies regarding to their market segmentation. In simple words it's a reaction of individuals towards the variation of prices of the products and services. There are many factors which significantly impact on the price sensitivity (Goldsmith et al., 2005) which are advertisement, Product and market knowledge and purchasing behavior. It is also observed that an increases price brings adverse affects on the customer satisfaction and reduction price policy brings favorable results on the customer satisfaction level.

Price tolerance level is also significantly impact on customer satisfaction level because customer decision in choosing the product or services based on this factor (Jiang & Rosenbloom, 2005) if the prices are within their tolerance level with better quality as compared to their competitors ( Han & Kim,2009) then it will automatically enhances the satisfaction level of the employees but if the price is not according to their expectations even they are providing the best quality of product and services in the market they will not meet their performance criteria in the market because price is the prime factor for the customer in the evaluation of the product or services (Watchravesringkan et al., 2008). Perceived quality is also an important factor in evaluating the product and services by the customers because it reflects the overall performance of firm (Taylor &

Baker, 1994) that how it managed its operation in manufacturing its products effectively and efficiently. In the past studies perceived quality varies in the products and services. In products quality creates value to the customers (Clemmer, 1990) and in services quality creates the strong communication network among the personnel which is involved in this service cycle. (Chiu et al., 2012; Jani & Han, 2013) confirmed with their studies that quality refers to individual performance evaluation criteria and their skills and abilities of their team in order to accomplish their desired goals and objectives. Different researchers presented different model to assess the quality of the product and services (Parasuraman et al., 1988) developed five dimensions model on the basis of which quality can be measured then (Cronin & Taylor, 1992) added service quality performance for the precision of its reliability and validity.

Customer expectations are always high regarding to the products and services and the link between the customer satisfaction is still ambiguous because some researchers argue that customer satisfaction is indirectly related with the customer satisfaction level (Yi et al., 1993) and some researches found that there is direct relationship (Song et al., 2012) between them and it is very vital for the firm if the firm neglect that factor and consider as a irrelevant factor. There is negative relationship between the customer satisfaction and customer complaint (Wong & Fong, 2010) because when the queries arises from the customers the satisfaction level starts to diminishes gradually but it impact direct on the performance of the firm (Lucas, 2003) so its impact on the customer satisfaction is very crucial for the firm. Perceived value is the perception of customer in which they assess that what are the benefits and flaws pertain in product and services. In simple words it is phenomenon in which customer determine the opportunity cost (Cronin et al., 2002) regarding the different products and services. When the customer has to pay low prices for high standard product then it will create the positive value regarding the product and services. (Sheth et al., 1991) presented the model in which perceived value comprises of four values functional values relates to effectiveness of functional performance for goals achievement process in which the firm optimally utilize their available resources and determine the input- output ratios. Price value relates to monetary control policies that the price of the firm product should be low as compared to their competitors. Emotional value relates to the emotions and feelings which arise due to product and services and affect the overall performance of the firm.

Attitude is the way to reacting whether in a positive or negative manner they are the unstable factors of the human personality unlike behavior which are stable determined factors of the personality. Both of them attitudinal and behavioral loyalty affects directly or indirectly the satisfaction level of the customers. Behavioral loyalty is created when the customer puts their trust on the firm product and services by repetitively purchasing their products (Sharp et al., 2002) and attitudinal loyalty is based on the degree of responsiveness towards the products which created the brand loyalty due to its different factors. It may be the biased decision taking or the distinctive factors of the products and services. It's a psychological process if customer has make good perception about your product then the firm don't need to make strategic planning regarding customer retention (Eagly & Chaiken, 1993). Customer loyalty creates positive goodwill for the firm in the market which gives the opportunities to expand their market share (Ahmad & Buttle, 2002) and profitability necessary for the company's growth in this modern era. Customer loyalty comprises of attitudinal and behavioral loyalty which positively affects the customer satisfaction level (Lee & Cunnigham, 2001). Choi et al., (2008) confirmed also with their studies that customer satisfaction positively associated with customer loyalty and negatively associated with customer switching. When the customers are not satisfied with the services provided by the firm then they may switch to other competitive firms. Some researches also indicate that customer loyalty doesn't

bring the desired satisfaction level of the customers due to the presence of different mediating variables between them such as customer switching (Jones et al., 2002).

### Methodology

Data is gathered through questionnaire instrument survey and for this purpose the questionnaire were circulated among the customers of different telecom companies both public and private services providers in the Lahore, Pakistan. 180 questionnaires were distributed and 150 valid survey questionnaires were received. The questionnaire is divided into demographic section which includes Gender, Age, Marital status, service providers, primary usage and subjective section which splits into perceived expectations, perceived quality, perceived value, customer satisfaction, customer retention, price tolerance, customer complaint, attitude and behavioral loyalty. Unit of analysis were the customers of the telecommunication service providers and non probability random sampling technique was used for the selection of sample.

### Hypothesis

Following hypotheses can be developed on the basis of above literature.

H1: There is relationship between perceived expectations and customer satisfaction.

H2: There is relationship between perceived quality and customer satisfaction.

H3: There is relationship between customer complaint and customer satisfaction.

H4: There is relationship between customer retention and customer satisfaction.

H5: There is relationship between price tolerance and customer satisfaction.

### Results and Analysis

**Table 1: Demographics (Categorical)**

Category	Classification	Frequency	Percentage%
Age	20 or less	46	30.7
	20-24	54	36.0
	25-29	11	7.3
	30-39	28	18.7
	40-49	11	7.3
Marital Status	Married	35	23.3
	Single	115	76.7
Gender	Male	99	66.0
	Female	51	34.0
Color Screen	Yes	125	83.3
	No	25	16.7
Digital Camera	Yes	100	66.7
	No	50	33.3
Service Provider	Warid	33	22.0
	Telenor	31	20.7
	Mobilink	36	24.0
	Ufone	39	26.0
	Zong	11	7.3
Primarily usage	Work	16	10.7
	Personal	105	70.0
	Emergency	15	10.0
	Others	14	9.3

Table 1 shows that data is gathered through survey from respondents are male (66%) and female (34%) in which majority of them are under age 20 or less (30.7%) and are single (76.7%) in which the most of them have color screen (83.3%) and digital camera (66.7%) features in their mobile phones. Analysis also shows that most of the respondents are using Ufone services (26%) and their primarily usage for the mobile phone services are for personal use (70%).

**Table 2: Pearson Correlation (N=150)**

		Customer Satisfaction
Perceived Expectations	Pearson Correlation	.400**
	Sig. (2-tailed)	.000
Perceived Quality	Pearson Correlation	.468**
	Sig. (2-tailed)	.000
Perceived Value	Pearson Correlation	.166*
	Sig. (2-tailed)	.042
Customer Retention	Pearson Correlation	.708**
	Sig. (2-tailed)	.000
Price Tolerance	Pearson Correlation	.230**
	Sig. (2-tailed)	.005
Customer Complaint	Pearson Correlation	-.129
	Sig. (2-tailed)	.117
Behavioral loyalty	Pearson Correlation	.097
	Sig. (2-tailed)	.239
Attitudinal loyalty	Pearson Correlation	.140
	Sig. (2-tailed)	.086

Table 2 shows that customer satisfaction is highly significant and positive moderate correlated (.400\*\*) with the perceived expectation so when the customer expectations increase the satisfaction level also increases. It also shows that customer satisfaction is also highly significant and strongly correlated (.468\*\*) with the perceived quality because quality reflects or interpret the overall efficiency of the operations that's why it strongly impact on the satisfaction level of the customers. It also shows that perceived value is significant with the weakly correlated (.166\*) with the customer satisfaction level and it is highly significant and positive weak correlation exist with the price tolerance (.230\*\*), behavioral (.292\*\*) and attitudinal loyalty (.257\*\*). It is also found that customer retention is highly significant and strong positively correlated with the customer satisfaction (.708\*\*) and customer complaint is negatively related with the customer satisfaction level (-.129).

**Table 3: The value of R.**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.770a	.594	.570	.64586

Table 3 shows that the value of R (.770) which means that there is 77% variation exist between the Attitude Loyalty, Customer Complaint, Perceived Expectation, Perceived Value, Customer Retention, Price Tolerance, Perceived Quality, Behavioral loyalty and Customer satisfaction. The value of R-square (.594) which is determination coefficient shows the total variation (59.4%) exist between the independent and dependent variables.

**Table 4: ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	85.883	8	10.735	25.736	.000b
	Residual	58.816	141	.417		
	Total	144.698	149			
a. Dependent Variable: Customer Satisfaction						
b. Predictors: (Constant), Attitude Loyalty, Customer Complaint, Perceived Expectation, Perceived Value, Customer Retention, Price Tolerance, Perceived Quality, Behavioral Loyalty						

Table 4 shows that the value of F (25.736) which shows the overall fitness of the model that model is fit and the value of significance level is less than (0.05) which means that the overall impact of predictors (Attitude Loyalty, Customer Complaint, Perceived Expectation, Perceived Value, Customer Retention, Price Tolerance, Perceived Quality, Behavioral loyalty) are significant on the Customer satisfaction.

**Table 5: Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.486	.480		1.014	.313		
	Perceived Expectation	.274	.086	.189	3.197	.002	.827	1.209
	Perceived Quality	.297	.089	.217	3.332	.001	.678	1.474
	Perceived Value	-.097	.072	-.082	-1.345	.181	.777	1.287
	Customer Retention	.502	.054	.598	9.364	.000	.708	1.413
	Price Tolerance	.133	.069	.118	1.932	.055	.771	1.297
	Customer Complaint	-.001	.051	-.001	-.025	.980	.878	1.139
	Behavioral Loyalty	-.223	.109	-.144	-2.045	.043	.577	1.732
	Attitude Loyalty	-.071	.115	-.046	-.617	.538	.511	1.958
a. Dependent Variable: Customer Satisfaction								

$$\text{Customer satisfaction} = .486 + .274 (\text{Perceived expectation})$$

This equation shows that 1% change in the perceived expectations will create a variation of 27.4% and the value (.486) is the customer satisfaction level in which perceived expectation level is zero.

$$\text{Customer satisfaction} = .486 + .297 (\text{Perceived quality})$$

This equation shows that 1% change in the perceived quality will create a variation of 29.7% and the value (.486) is the customer satisfaction level in which perceived quality level is zero.



$$\text{Customer satisfaction} = .486 + .502 (\text{Customer retention})$$

This equation shows that 1% change in the customer retention will create a variation of 50.2% and the value (.486) is the customer satisfaction level in which customer retention level is zero.

$$\text{Customer satisfaction} = .486 + .133 (\text{Price tolerance})$$

This equation shows that 1% change in the perceived tolerance will create a variation of 13.3% and the value (.486) is the customer satisfaction level in which perceived tolerance level is zero.

$$\text{Customer satisfaction} = .486 - .001 (\text{Customer complaint})$$

This equation shows that 1% change in the perceived value will create a variation of 0.1% and the value (.486) is the customer satisfaction level in which perceived value level is zero.

There is no collinearity exist between them because the tolerance value of all the variables is less than 5 in which the highest tolerance value is (.878) and the value of VIF is less than 10 in which the highest VIF value is (1.958).

### **Conclusion and Managerial Implication**

The findings of this paper provide a significant theoretical literature review and managerial implications. This study confirmed that customer satisfaction is positively associated with the customer retention level which means that if firm increases are customer satisfaction (Homburg et al., 2005) by providing those good overall services then customers will retain with the firm. This study confirmed that customer satisfaction have direct positive relationship with the product quality (Zeithmal & Bitner, 2003) when the firms product quality meet with the consumer expectation then it will put the firm in a prosperous path and leading the firm in the market. Vargo et al., (2007) confirmed with their studies that when the customer expectation arises with the determined price tolerance level it proliferate their satisfaction level of the certain products and services of the firm.

Customer satisfaction is always significant for the firm's growth and sustainability in the market that's why it is consider as a prime factor in the company's strategic planning that how they can maximize their customer satisfaction and retention level. The firms normally have two strategies whether they may apply defensive or offensive strategies. In offensive strategy the firms attempt to enhance their customer satisfaction by reduces their prices with better quality of products and services. In defensive strategy the firm attempts to sustain their existing customer by maintaining the current level of performance. The firms enhances their customer satisfaction level by making the continuous improvement in the policies and procedures in the system in this way they can timely remove the weaknesses pertain in the firms structure. The firms also increases the customer retention level and decreases the customer complaint by providing them proper training to their employees that how they can quickly response to the employees.

### **Limitations and Future Research**

The population size in our study is small and data is only gathered from only one city Lahore we can get more accurate results by increasing our population size and gather the data from different cities of the Pakistan which increases the generalizability of our study.

It is a cross sectional study in order for detailed study of customer satisfaction with other factors we need to conduct a longitudinal research study which helps in the continuous improvement process of the firms.. In the future the researchers can also get precise and accurate results which help the firms in their decision making process and helps in achieving their strategic goals and objectives by applying different statistics tools and techniques.

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